

UPDATE ON RETIREMENT

1. Previous bulletins have advised Agency employees that the Administration and the Congress would be reviewing Federal retirement programs in 1985. This bulletin is to update employees on the status of this ongoing review now that the 99th Congress has convened.

2. There are two separate retirement issues currently under consideration. The first is the budget deficit and the Administration's proposals to use the Federal retirement system to help reduce this deficit. The proposals which would affect employees hired before 1 January 1984 and are included in the Administration's Federal budget are as follows:

- ° Retirement age. The Administration proposes changing the retirement age from 55 to 65 (60 under the CIA Retirement and Disability System [CIARDS]) in order to receive full benefits. Employees could still retire at age 55 (50 for CIARDS), but would sustain a penalty of 5% for each year under age 65 (60 for CIARDS). Those presently 55 (50 for CIARDS) would receive full benefits no matter when they retire.

- ° Cost-of-living adjustment (COLA). There would be no January 1986 COLA. Thereafter, the COLA would be based on the lesser of the annual change in the Consumer Price Index or the General Schedule pay increase. Full indexing would be applied to the first \$10,000 of pension income. Amounts above \$10,000 would receive only 55% of the index factor.
- ° Sick leave credit. The Administration would no longer permit unused sick leave to be credited toward annuity calculations. This proposal would be phased in over five years (in FY-86 employee could use 80% of unused sick leave, FY-87 - 60%, etc.).
- ° Benefit calculation. The Administration would change the salary base for computing annuities from a high-three to a high-five average salary.

The second issue is retirement legislation for employees hired after 31 December 1983. This legislation will provide a new Federal retirement system which includes Social Security and a new Civil Service retirement system that is currently being developed.

3. The Congress is reviewing the Administration's budget proposals and over the next several months debates will be held on the Hill which will determine how supportive the Congress will be of these retirement proposals. It is too early to predict the final outcome but employees should know that a significant number of legislators hold strong views that changes in the current Federal retirement system should not be undertaken prior to producing supplemental retirement legislation. In fact, the House and Senate Chairmen for the respective congressional committees primarily responsible for Federal retirement programs have stated their desire to not effect changes in the existing retirement laws at this time, but to devote attention to supplemental retirement legislation.

4. Regarding supplemental retirement, Senator Stevens, Chairman of the Civil Service, Post Office, and General Services Subcommittee of the Committee on Governmental Affairs, is proposing legislation which includes Social Security coverage, Federal retirement coverage (with no employee contribution) computed at .85 times number of years Federal service times the high-five average salary, a voluntary contribution feature (up to 10% of employee's salary) with the Government matching two times the employee's contribution up to 4% of salary, and retirement with full benefits at age 62 with a penalty of 2% per year between

ages 55 and 62. The new retirement legislation would provide an option for employees hired prior to 1 January 1984 to participate in the new system. While the proposed legislation has many other features, these are the major ingredients. The House is also working on a supplemental retirement plan but their proposal is not expected to appear for several more months. The current CIARDS program is untouched by supplemental retirement.

5. The 1985 Congressional calendar is packed with upcoming discussions and hearings on the Federal retirement system. Through external Agency actuarial and retirement consultants, Office of Legislative Liaison representatives, and the Office of Personnel task force, we are actively following all events on the Hill. Agency management remains sensitive to employees' concerns about the impact of any changes in retirement and you should be assured that all appropriate steps are being explored to protect Agency employees' retirement benefits.

6. We will continue to keep you informed as we become more certain about the Congress' reaction to the Administration's proposals and as further debate takes place on the supplemental retirement legislation. Meanwhile, employees are encouraged to stay informed on this issue and questions or concerns should be

addressed to the Deputy Director of Personnel for Employee
Benefits and Services/Office of Personnel (extension 6872) or
Chief, Retirement Division/Office of Personnel (extension 2660).